HOUSING MARKET INFORMATION

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CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: July 2010

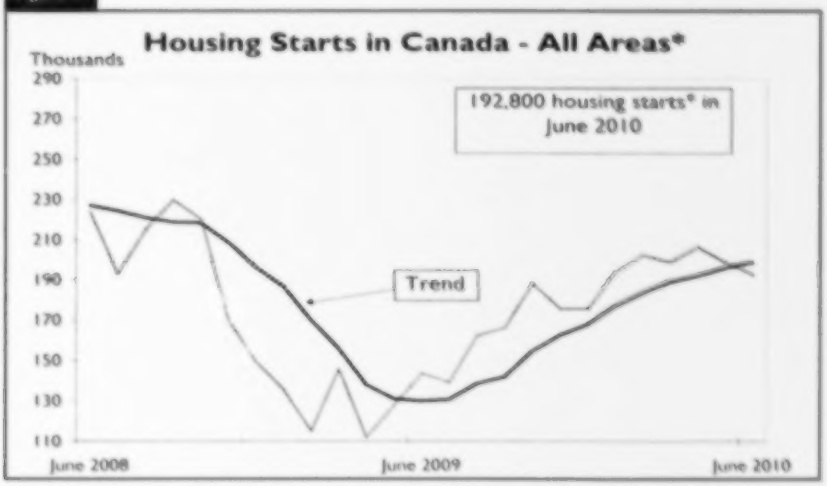
Canadian Market Overview

New Home Market

Housing starts continue to moderate

The revised seasonally adjusted annual rate[1] of housing starts was 192,800 units in June, down about 3.1 per cent from a revised 198,900 units in May. Housing starts decreased during June, largely due to the multiple starts segment in Ontario. The single starts segment was largely unchanged Canada-wide. After a robust start to 2010, we expect the pace of housing start activity to moderate and total about 182,000 units by year-end.

Figure 1



Source: CMHC

*Seasonally adjusted at annual rates

[1]All starts figures in this release, other than actual starts, are seasonally adjusted annual rates (SAAR) — that is, monthly figures adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

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Urban single starts up while multiple starts decreased

The seasonally adjusted annual rate of urban starts decreased to 166,500 units in June from 171,000 units in May. Urban single starts increased from 76,800 units in May to 77,400 units in June, while urban multiple starts decreased from 94,200 units to 89,100 units over the same time frame.

Urban starts up in three of five regions

In June, the seasonally adjusted annual rate of urban starts increased by 11.2 per cent in Quebec to 46,800 units, by 8.9 per cent in the Prairies to 34,300 units, and by 6.3 per cent to 23,600 units in British Columbia. Meanwhile, Atlantic Canada saw a decline of 22.0 per cent to 9,200 units while Ontario decreased by 17.0 per cent to 52,600 units.

Rural starts were at a seasonally adjusted annual rate of 26,300 units in June.*

Total starts year-to-date up over 2009

So far in 2010, actual urban starts are up 52.8 per cent over 2009 to 79,875 units. Actual urban single starts are up 72.1 per cent to 37,880 units year-to-date while multiple starts are up 38.8 per cent to 41,995 units year-to-date. Year-to-date actual urban starts are up in all regions of Canada with the Prairie and B.C. regions experiencing growth of 100 per cent and 117 per cent, respectively.

Growth in new house prices increases in May

The New Housing Price Index (NHPI) rose by 2.9 per cent year-over-year in May, after a 2.5 per cent year-over-year increase in April.

New home prices increased in 18 out of 21 centres in May 2010. The largest increases in the NHPI were in Regina (7.4 per cent), St. John's (6.2 per cent), and Vancouver (5.8 per cent). The three centres registering declines in the NHPI were Victoria (-3.9 per cent), Charlottetown (-1.6 per cent), and Edmonton (-0.1 per cent).

Existing Home Market

MLS® sales up down in June

The seasonally adjusted annual rate of MLS® (Multiple Listing Service®) sales was down to 407,508 units in June, compared to 444,060 units in May. Across Canada, existing home sales are down 18.0 per cent compared to June 2009.

MLS® new listings declined in June

The seasonally adjusted annual rate of MLS® new listings in June decreased to 844,812 units, compared to 906,228 units in May. Actual new listings for June 2010 were up 9.0 per cent compared to June 2009.

'Balanced' market conditions exist across Canada

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio[2]. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand. For the fourth month in a row, the sales-to-new-listings ratio for Canada remained in balanced market territory in June, at about 48 per cent. The June seasonally adjusted average MLS® price in Canada decreased to $331,665 compared to $340,181 in May. When compared to June 2009, the Canada-wide average MLS® price has increased 4.9 per cent.

Economic conditions

Employment was up by 93,000 in June, pushing the unemployment rate down 0.2 percentage points to 7.9 per cent. This is the first time since January 2009 that the unemployment rate has dipped below 8 per cent. Employment has been trending upward since July 2009 with 403,000 positions created. June's employment

[2]Multiple Listing Service (MLS®) is a registered certification mark owned by the Canadian Real Estate Association

gains were mainly in the private sector, with no change in the public sector. Self-employed persons also increased. June's increases were evenly split between full-time and part-time positions. Since July 2009, the number of full time positions are up by 2.6 per cent while part-time positions have increased 1.5 per cent.

According to Statistics Canada, consumer prices rose 1.0% year-over-year in June, following a 1.4% year-over-year increase in May. On a seasonally adjusted monthly basis, consumer prices fell 0.2% in June, the same rate of decrease as May. Excluding energy, the Consumer Price Index (CPI) advanced 0.9% in June, following a 1.0% increase in May.

On July 20th, the Bank of Canada raised the Target for the Overnight Rate from 0.50 per cent to 0.75 per cent. The Bank noted that while the economic recovery is proceeding, it will take some time. In addition, the Bank announced that inflation was still in its target band of 1 per cent to 3 per cent. Finally, the Bank warned that economic uncertainty may be a factor going forward.

On July 22, the Bank of Canada released its latest Monetary Policy Report. The Bank once again noted that the economic recovery is moving along as expected, but that emphasis on the balance sheets of consumers and governments will likely temper growth moving forward. The report also details that while employment has increased to date, economic uncertainty is likely to soften longer-run employment growth. In addition, the Bank states that inflation is under control and core inflation is expected to be about 2 per cent this year. Overall, the Bank has reduced its Canadian forecast from its previous Monetary Policy Report. Growth is expected to be 3.5 per cent in 2010, 2.9 per cent in 2011, and 2.2 per cent in 2012. Finally, the Bank details that any further reduction in monetary stimulus will have to be weighed against domestic and international conditions. ■

Figure 2

Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS

[1]Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new- listings ratio is between these thresholds, the market is said to be balanced.

Canada's Existing Home Market:

A Change to Balanced Market Conditions

Canada's sales-to-new-listings ratio (SLR) was in sellers' market territory from mid-1999 until the end of 2007. From 2008 through mid-2009, decreasing sales of existing homes through MLS® services pushed Canada's existing home markets through the balanced range and into buyers' market conditions. After a brief step to sellers' market conditions in 2009, the Canadian MLS® market has returned to balanced conditions.

A good indicator of price pressure in the existing home market is the sales-to-new-listings ratio (SLR). New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand. The SLR is calculated by dividing the number of MLS® sales by the number of MLS® new listings, then multiplying by 100.

A sales-to-new-listings ratio (SLR) below 40 per cent has usually been accompanied by existing house price growth that is less than the general rate of inflation. This situation is known as a buyers' market. A SLR ratio above 55 per cent has been associated with a sellers' market, with home prices generally rising at a pace that is greater than inflation. When the SLR is between these thresholds, the market is said to be balanced and home prices tend to

Figure 3

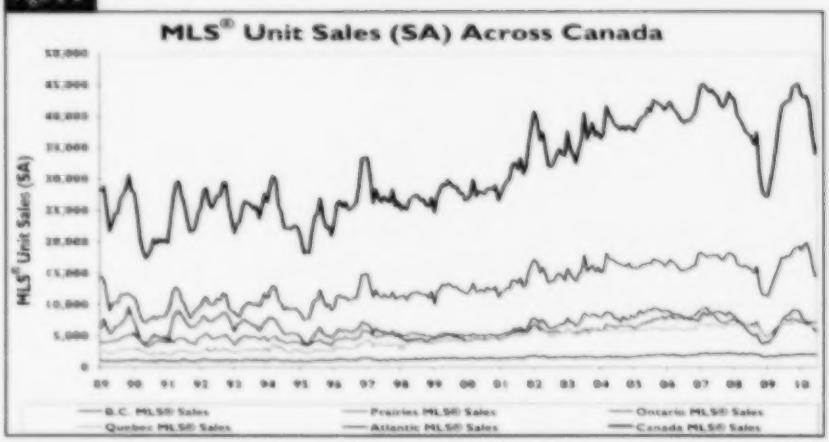


Figure 4

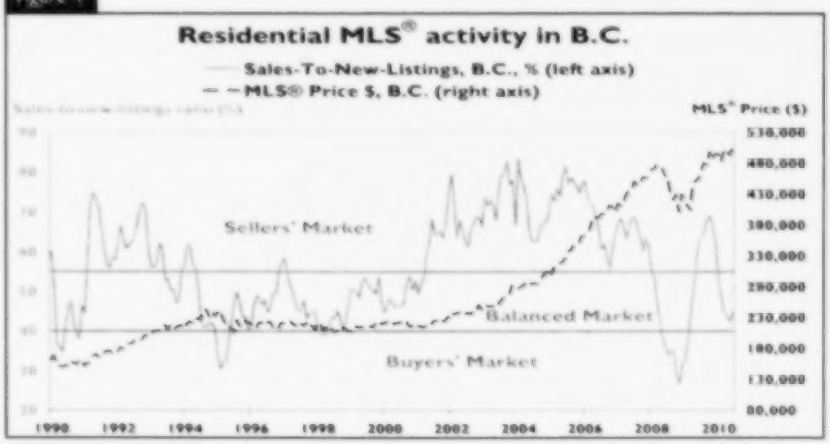
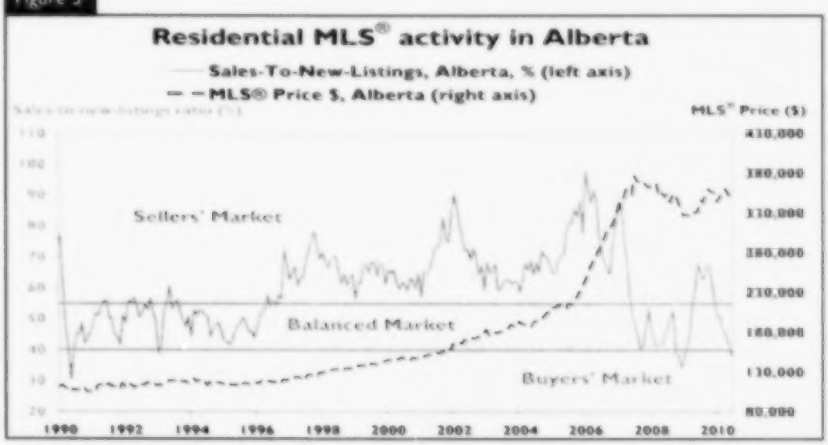


Figure 5



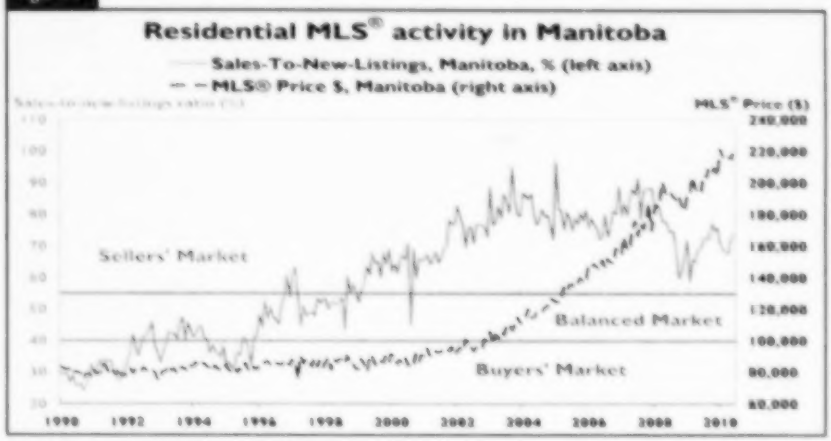
increase at about the overall rate of inflation. The relationship between market conditions and average prices can be somewhat distorted by the fact that the average prices can also reflect changes in the mix of houses sold. It is also important to note that, to simplify the analysis, we assume that the thresholds used to determine that a market is in sellers', buyers' or balanced territory are the same for all provinces. In reality, thresholds can vary from province to province.

Figure 6

The overall Canadian context

Following several years of sellers' market conditions in Canada, housing demand moderated in 2008 as the economy slowed. As a result, the SLR started to trend lower and by 2009 the resale market dipped briefly into buyers' market territory. This occurred partly because of an increase in MLS® listings over that period and a decrease in MLS® sales. As resale prices decreased over the course of 2009, the market bounced back into sellers' market territory for a few months. However, MLS® prices have since picked up in recent months. This, in conjunction with higher mortgage rates, has caused the SLR ratio to move back into balanced territory. (Figure 3).

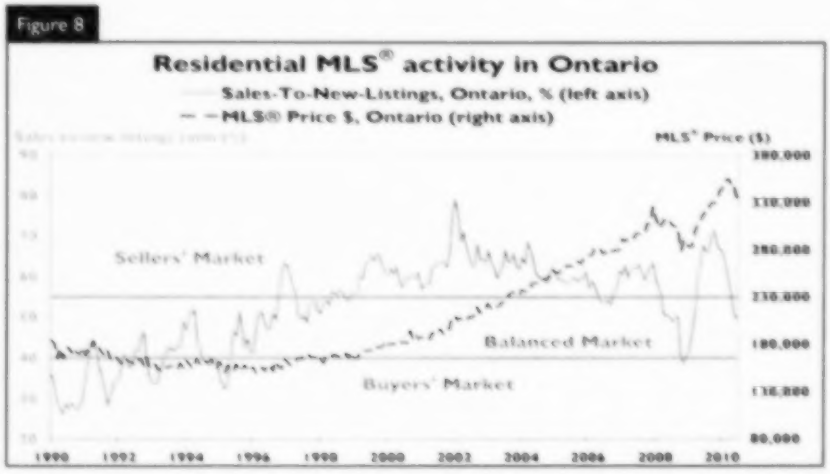
Figure 7



The Western Canada view

As can be seen on Figures 4 to 7, Canada's western provinces were the first to experience a decrease in existing homes

Figure 8



prices in 2008 and 2009. By the beginning of 2010, prices in these provinces stabilized as the SLR ratio became balanced. The situation however, was different for Manitoba, which has remained in sellers' market territory since 2001. The overall decrease in demand in the western provinces has been due largely to the rapid escalation in house prices in B.C., Alberta, and Saskatchewan. This was compounded in the latter portion of 2008 and early 2009 by the uncertain economic environment. Since then, improved affordability and a more positive economic outlook have helped to push demand for existing homes higher. This may change, though as interest rates rise.

With respect to B.C., the MLS® average price is $501,093, with market conditions stabilizing into the balanced market zone. In Alberta, existing home prices have been hovering at a relatively stable level since the end of 2009 at $343,644. In Saskatchewan ($240,105) and Manitoba ($221,200), prices are still near historical highs.

The Ontario and Quebec view

With respect to Ontario and Quebec (Figures 8 and 9) the SLR ratio decreased over the first half of 2010, which lowered pressure on prices. At present, the market is balanced in both of these provinces and prices should grow at a pace close to the overall rate of inflation. Like other provinces, economic and

Figure 9

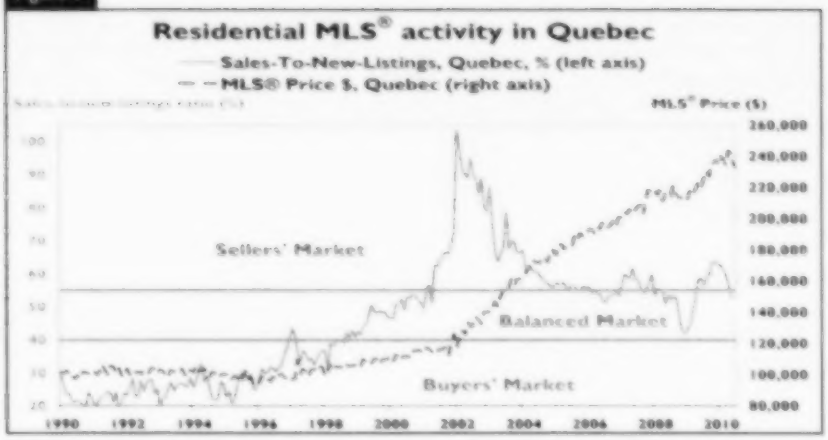


Figure 10

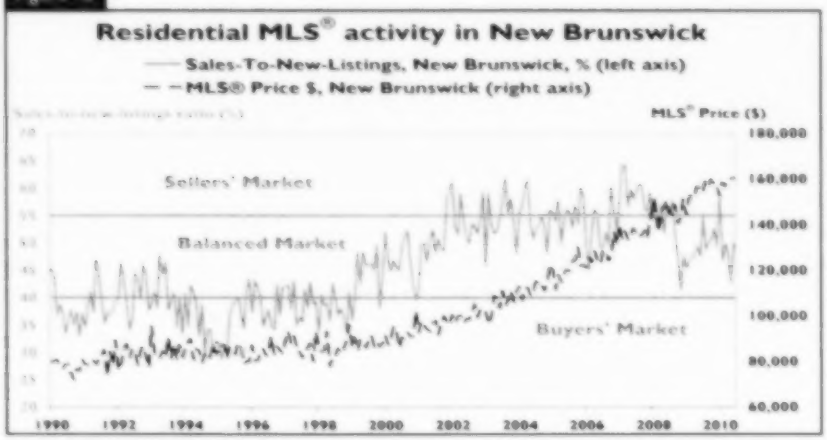
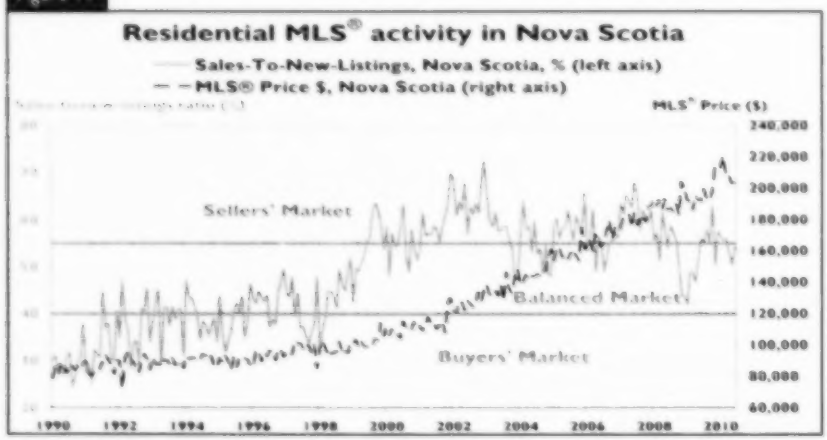


Figure 11



financial conditions have pushed the SLR lower in 2010.

The Ontario seasonally adjusted average MLS® price in June was $334,836, down 3.2 per cent from January 2010.

In Quebec, the seasonally adjusted average MLS® price in June decreased to $233,772, down 3.0 per cent from January 2010.

The Atlantic Canada view

Atlantic Canada (Figures 10 to 13) did not experience as strong a downturn in the SLR as in the rest of Canada. The Atlantic Canada MLS® resale market is generally in the upper limit of a balanced market, higher than in central and western Canada.

The SLR in New Brunswick and Nova Scotia remains in balanced market territory, while P.E.I. and Newfoundland are experiencing sellers' market conditions.

In New Brunswick, the seasonally adjusted average MLS® price in June 2010 was $160,556, up 5.1 per cent from January 2010. The average MLS® price in Nova Scotia is now $203,132, while in Newfoundland the average MLS® price is near its highest level at $231,192. In Prince Edward Island, the average MLS® price in the resale market was $133,466 in June 2010.

Figure 12

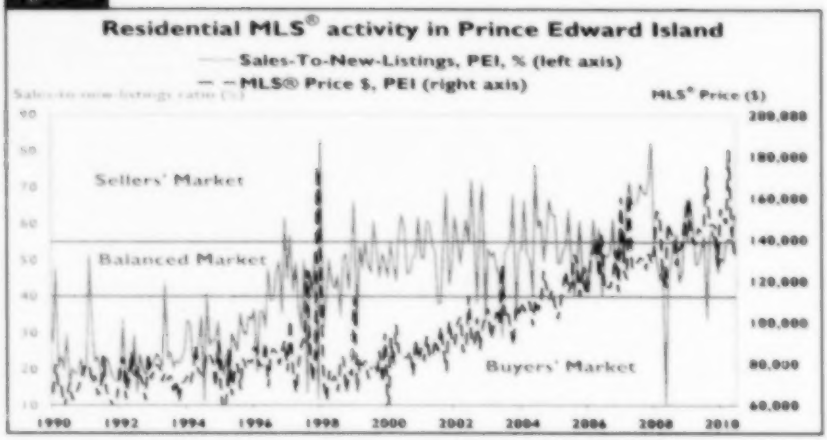
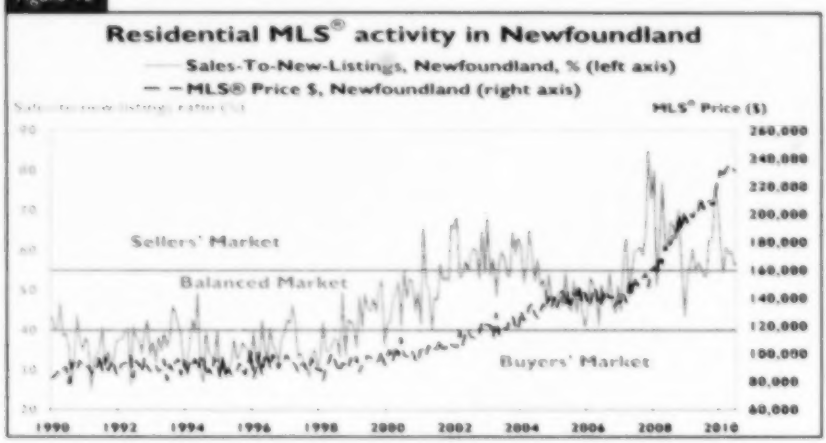


Figure 13



Conclusion

As stated previously, new listings have recently moved up and sales have moderated. This has pushed markets towards more balanced conditions. Consequently, house price movements in the resale market are expected to be modest over the next two years. As a result of these moderate movements, balanced market conditions are expected to remain in Canada. ■

This Month's Housing Data (SAAR)

Housing starts, units, 000s

	2009	Q4:09	Q1:10	Q2:10	M4:10	M5:10	M6:10
Canada. Total. All areas	**149.1**	**178.4**	**192.9**	**202.4**	**206.3**	**198.9**	**192.8**
Per cent change from previous period	-29.4	15.1	8.1	4.9	3.7	-3.6	-3.1
Canada. Total. Rural areas	**18.7**	**21.6**	**23.1**	**26.3**	**23.8**	**27.9**	**26.3**
Per cent change from previous period	-21.0	20.0	6.9	13.9	-9.8	17.2	-5.7
Canada. Total. Urban areas	**130.4**	**156.8**	**169.8**	**176.1**	**182.5**	**171.0**	**166.5**
Per cent change from previous period	-30.4	14.5	8.3	3.7	5.8	-6.3	-2.6
Canada. Single. Urban areas	**60.5**	**79.0**	**86.3**	**81.4**	**94.3**	**76.8**	**77.4**
Per cent change from previous period	-18.7	25.0	9.2	-5.7	-1.0	-18.6	0.8
Canada. Multiple. Urban areas	**69.8**	**77.8**	**83.5**	**94.7**	**88.2**	**94.2**	**89.1**
Per cent change from previous period	-38.2	5.4	7.3	13.4	14.2	6.8	-5.4
Newfoundland. Total. All areas	**3.1**	**3.6**	**5.4**	**4.2**	**5.4**	**4.5**	**4.6**
Per cent change from previous period	-6.3	24.1	50.0	-22.2	-6.9	-16.7	2.2
Prince Edward Island. Total. All areas	**0.9**	**1.2**	**0.5**	**1.0**	**1.1**	**1.5**	**1.1**
Per cent change from previous period	23.2	50.0	-58.3	100.0	266.7	36.4	-26.7
Nova Scotia. Total. All areas	**3.4**	**3.5**	**4.4**	**4.4**	**4.0**	**6.1**	**3.2**
Per cent change from previous period	-13.7	-22.2	25.7	0.0	-2.4	52.5	-47.5
New Brunswick. Total. All areas	**3.5**	**3.6**	**4.5**	**3.6**	**6.2**	**4.5**	**4.7**
Per cent change from previous period	-17.6	5.9	25.0	-20.0	59.0	-27.4	4.4
Quebec. Total. All areas	**43.4**	**46.8**	**52.5**	**54.9**	**52.9**	**50.7**	**54.2**
Per cent change from previous period	-9.4	0.6	12.2	4.6	-3.6	-4.2	6.9
Ontario. Total. All areas	**50.4**	**60.2**	**59.7**	**64.9**	**65.4**	**66.7**	**56.2**
Per cent change from previous period	-32.9	23.1	-0.8	8.7	4.8	2.0	-15.7
Manitoba. Total. All areas	**4.2**	**4.1**	**5.1**	**5.8**	**7.4**	**5.0**	**8.2**
Per cent change from previous period	-24.6	-18.0	24.4	13.7	89.7	-32.4	64.0
Saskatchewan. Total. All areas	**3.9**	**5.3**	**5.1**	**5.1**	**5.7**	**4.4**	**6.3**
Per cent change from previous period	-43.4	15.2	-3.8	0.0	39.0	-22.8	43.2
Alberta. Total. All areas	**20.3**	**28.8**	**28.5**	**32.0**	**29.7**	**29.7**	**27.2**
Per cent change from previous period	-30.4	33.3	-1.0	12.3	-13.7	0.0	-8.4
British Columbia. Total. All areas	**16.1**	**21.3**	**27.2**	**26.5**	**28.5**	**25.8**	**27.1**
Per cent change from previous period	-53.2	26.8	27.7	-2.6	13.5	-9.5	5.0

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

	2009	Q4:09	Q1:10	Q2:10	M4:10	M5:10	M6:10
Canada. Total. Urban areas	130.4	156.8	169.8	176.1	182.5	171.0	166.5
Newfoundland. Total. Urban areas	2.0	2.2	2.6	2.6	4.5	2.4	2.6
Prince Edward Island. Total. Urban areas	0.7	1.0	0.4	0.8	1.0	1.2	0.9
Nova Scotia. Total. Urban areas	2.8	2.8	3.8	3.4	3.1	4.9	2.2
New Brunswick. Total. Urban areas	2.6	2.7	3.1	2.7	5.7	3.3	3.5
Quebec. Total. Urban areas	37.0	39.2	46.1	46.5	44.8	42.1	46.8
Ontario. Total. Urban areas	47.9	57.4	56.6	61.4	62.4	63.4	52.6
Manitoba. Total. Urban areas	2.8	2.7	3.5	3.7	5.6	2.6	5.7
Saskatchewan. Total. Urban areas	2.9	4.1	4.1	3.9	4.8	3.2	4.7
Alberta. Total. Urban areas	17.7	26.4	25.4	27.8	25.8	25.7	23.9
British Columbia. Total. Urban areas	13.8	18.3	24.2	23.3	24.8	22.2	23.6

* Thousands of units, quarterly and monthly data are seasonally adjusted and annualized

This Month's Major Housing Indicators

	2009	Q4:09	Q1:10	Q2:10	M4:10	M5:10	M6:10
New Housing							
New & unoccupied singles & semis, units 000s	7.4	5.7	5.3	5.4	5.3	5.5	5.2
Per cent change from same period previous year	-1.9	-32.8	-40.2	-36.3	-38.9	-35.4	-34.4
New & unoccupied row & apartments, units 000s	12.3	12.9	13.5	13.4	13.4	12.9	13.9
Per cent change from same period previous year	29.4	22.1	19.9	11.7	15.4	8.1	11.8
New House Price Index, 1997=100	154.6	155.4	156.8	n.a.	157.5	158.0	n.a.
Per cent change from same period previous year	-2.3	-1.5	0.9	n.a.	2.5	2.9	n.a.
Existing Housing							
MLS® resales*, units 000s	465.3	538.7	518.6	449.9	498.0	444.1	407.5
Per cent change from same period previous year	7.7	57.9	46.2	-2.3	18.5	-4.3	-18.0
MLS® average resale price, 000s**	320.3	341.6	342.0	339.3	344.7	340.2	331.7
Per cent change from same period previous year	5.0	19.9	19.3	9.0	12.7	9.4	4.9
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	4.02	3.67	3.60	3.70	3.80	3.70	3.60
Posted 5-Year Mortgage Rate, % (period average)	5.63	5.64	5.58	6.04	6.25	5.99	5.89

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association

n.a. Figures not available

* Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Monthly and quarterly data is seasonally adjusted.

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